

## Pre-Contractual Disclosure - Article 8 of SFDR

Product name: MFS Meridian Funds – European Value Fund ("MFS European Value Fund")

Legal entity identifier: FOW0N0ZBCI2YVLH77334

# Environmental and/or social characteristics

### Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investments with an environmental objective:** \_\_\_%

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective:** \_\_\_%

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_\_% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



### What environmental and/or social characteristics are promoted by this financial product?

Effective 31 December 2021, the MFS European Value Fund promotes the MFS Low Carbon Transition Characteristic, which refers to the transition to a low carbon economy that MFS as an allocator of capital will promote through active engagement and the application of climate criteria to certain investments made by this product. In particular, the MFS European Value Fund will aim to have at least 50% of the equity securities in the portfolio invested in equity issuers that meet at least one of the three climate criteria (see below) from 1 January 2027 (the "Transition Date").

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the MFS European Value Fund.

#### ● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The following climate criteria, calculated on an asset weighted basis, will be used to measure the attainment of the MFS Low Carbon Characteristic in the portfolio of the MFS European Value Fund, depending on the composition of the portfolio assets at the time:

Climate Criterion 1 - Measuring GHG intensity of equity issuers: the percentage (%) of equity securities in the portfolio invested in equity issuers that reduced their annual GHG intensity in accordance with the methodology set out in the website disclosure (see link below).

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

Climate Criterion 2 - Measuring recognised GHG emissions reduction or stabilization program: the percentage (%) of equity securities in the portfolio invested in equity issuers that have adopted such programs in accordance with the methodology set out in the website disclosure (see link below).

Climate Criterion 3 - Measuring 'net-zero' issuers: the percentage (%) of equity securities in the portfolio invested in equity issuers that are operating at 'net-zero' determined in accordance with the methodology set out in the website disclosure (see link below).

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Not applicable. The MFS European Value Fund does not have sustainable investments as its objective.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

Not applicable. The MFS European Value Fund does not have sustainable investments as its objective.

*The EU Taxonomy sets out a “do no significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

The MFS European Value Fund does not take into account the EU criteria for environmentally sustainable economic activities within the meaning of the Taxonomy Regulation. Therefore, the "do no significant harm" principle does not apply to any of the investments of this financial product.



**Does this financial product consider principal adverse impacts on sustainability factors?**

Yes.

MFS believes that integrating financially material sustainability (environmental, social and governance or ESG) factors into investment analysis and decision-making processes leads to better informed decision-making which will drive investment returns over the long term. MFS investment professionals across the MFS Global Integrated Research Platform have access to proprietary interactive dashboards which allow them to visualize and analyze various ESG data elements, including the principal adverse impact indicators set out below. These ESG data elements are intended to enable MFS investment professionals to better understand and assess the financial impact of sustainability (ESG) factors on issuers and the portfolio, the negative external impact of issuers and the portfolio on sustainability (ESG) factors, and make informed long term investment decisions that are consistent with the financial investment objective of the MFS European Value Fund.

To complement the promotion of the MFS Low Carbon Transition Characteristic which incorporates the **GHG emissions** (scope 1 and 2, and 3 where available) and **GHG intensity of investee companies** principal adverse impact indicators, MFS also makes available to investment professionals the following additional greenhouse gas emissions principal adverse impact indicators: **carbon footprint, exposure to active in the fossil fuel sector, share of non-renewable energy consumption and production and energy consumption intensity per high impact climate sector** (collectively, the "Additional Emissions

**Principal adverse impacts** are the most significant negative impacts of investment decision on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti- corruption and anti- bribery matters.

**Indicators**"). At a portfolio level, MFS investment professionals will consider these Additional Emissions Indicators alongside the MFS Low Carbon Transition Characteristic and underlying climate criteria. MFS investment professionals will use the Additional Emissions Indicators as part of their broader assessment to address the readiness of issuers to transition their activities towards a low carbon economy and will engage with issuers consistent with the MFS Low Carbon Transition Characteristic. MFS also makes available to investment professionals the following social principal adverse impact indicators: **violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises and board gender diversity**. MFS investment professionals will consider these indicators within their broader ESG integration framework in the investment process to assess financial materiality and also their engagement practices. In partnership with our global stewardship team and our team of ESG specialists, MFS assesses and addresses the potential adverse impact of companies assessed at the portfolio level through its engagement approach, which may include direct engagement, proxy voting and industry collaborations (as appropriate). Information on how principal adverse impacts on sustainability (ESG) factors were considered will be made available in the annual report.

Sustainability issues are complex, interconnected and evolving. MFS believes that the materiality of principal adverse impacts cannot be reduced to an automated process. The consideration of principal adverse impacts by MFS investment professionals for financial materiality is generally subjective and often involves considering risks or opportunities that are intangible and hard to measure. Their analysis will therefore be in-depth, qualitative, issuer-specific and contextual. MFS investment professionals retain flexibility to consider the principal adverse impacts within different points of the investment process and engagement activities, and the extent to which MFS investment professionals consider principal adverse impact indicators may vary. Importantly, MFS investment professionals do not apply principal adverse impact indicators as the basis for exclusions or screens, nor would these indicators be used within a purely quantitative portfolio optimization framework. As principal adverse indicators are considered at the portfolio level, MFS investment professionals will engage with certain issuers in the portfolio with respect to issues that are considered to be financially material and not engage with every issuer within the portfolio.

No

## What investment strategy does this financial product follow?

In pursuing the MFS European Value Fund's investment objective of capital appreciation, it will also promote the MFS Low Carbon Transition Characteristic.

Applying fundamental analysis and active engagement, MFS investment professionals will assess and monitor equity issuers for their readiness to transition to a low carbon economy by measuring such issuers against the climate criteria of the MFS Low Carbon Transition Characteristic. MFS investment professionals will also actively engage equity issuers on the climate criteria of the MFS Low Carbon Transition Characteristic and their response to climate change. In engaging on the climate criteria, MFS investment professionals will seek to influence equity issuers on the following: providing climate disclosure that is clear, consistent, audited and decision-useful; undertake carbon reduction plans that are aligned with international standards and global ambitions; and holding senior leadership accountable for climate responses. By actively engaging equity issuers on the climate criteria, especially during the period leading up to the Transition Date, MFS investment professionals will gradually adjust as necessary the level of equity instruments in the portfolio of the MFS European Value Fund towards the minimum target 50% climate criteria threshold from the Transition Date.

Where the equity securities of the portfolio (on an asset weighted basis) fall below the 50% climate criteria threshold after the Transition Date, MFS investment professionals will undertake a review of the portfolio and implement a remedial plan. The remedial plan may include an assessment of the shortfall, a consideration of how to raise the threshold through various active ownership escalation strategies to address this over time, including reduction of exposure or divestment where active ownership is not deemed to be appropriate or feasible. As our purpose is to effect meaningful change in the real economy, immediate divestment and / or portfolio repositioning may not be the best approach to promote the MFS Low Carbon Transition Characteristic and the portfolio may remain below 50% for a period of time. In making portfolio adjustments, MFS investment professionals will take into account the need to minimise financial loss, ensure responsible risk management and mitigate disruption to the MFS European Value Fund. MFS investment professionals may also choose to invest in equity issuers that cause the portfolio to fall below the 50% target following the Transition Date. However, this would



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

only be permissible where the MFS investment professionals reasonably believe that promotion of the MFS Low Carbon Characteristic in relation to the climate criteria can be achieved within a reasonable timeframe through the use of active ownership tools to effect change at the level of the equity issuer.

Information on the extent to which the MFS European Value Fund is meeting the climate criteria threshold and further details relating to the MFS Low Carbon Characteristic are available in the website disclosure (see link below). MFS will also provide periodic disclosure annually on the application of the MFS Low Carbon Characteristic in the annual report.

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The MFS European Value Fund will promote the MFS Low Carbon Characteristic by: actively engaging with existing, new and / or prospective equity issuers on the climate criteria before and beyond the Transition Date as explained above; applying the climate criteria to equity securities in the portfolio of the MFS European Value Fund with the aim of having at least 50% of the equity securities invested in equity issuers that meet any one of the three climate criteria from the Transition Date; and undertaking a remedial plan where the equity securities of the portfolio fall below the 50% climate criteria target from the Transition Date.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Not applicable. The MFS European Value Fund does not commit to reduce the scope of the investments by a minimum rate prior to the application of the investment strategy.

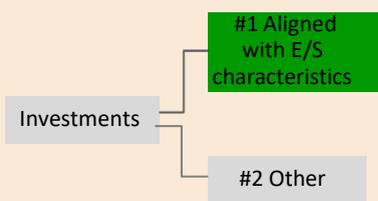
● ***What is the policy to assess good governance practices of the investee companies?***

MFS considers "good governance" to mean the standards of governance that organisations seeking or obtaining capital in public markets to finance economic activities are required to comply or expected to conform and which may have a material impact on the value of the organisation. These standards of governance cover a broad range of matters including its structure, constitutional arrangements, management, culture, remuneration and compensation policies, employee relations, accountability to shareholders, engagement with broader stakeholders, compliance with applicable laws and adherence to industry norms. It is important to note that these standards of governance are not static and evolve within the broader environment in which issuers operate. The MFS investment professionals assess and monitor the governance practices of equity issuers in which the MFS European Value Fund is invested to determine whether these issuers follow good governance practices. These assessments are inherently subjective, qualitative and complex and dependent on the availability and reliability of data. They are unique to the equity issuer and may vary based on the broader operating context including market expectations, local practices, sector and industry. It is important to note that these assessments are continuous rather than point in time. MFS will seek to assist equity issuers to improve their governance practices through the deployment of our active ownership tools explained above. This enables MFS investment professionals to raise concerns or make suggestions on a particular aspect of the equity issuer's governance practice.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

**What is the asset allocation planned for this financial product?**

**Asset allocation** describes the share of investments in specific assets.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee.

As set forth and further detailed in the Prospectus Fund Profile, the MFS European Value Fund invests primarily (at least 70%) in European equity securities. The MFS European Value Fund will aim to have at least 50% of the equity securities in the portfolio invested in equity issuers meeting at least one of the climate criteria from the Transition Date and therefore aligned with the E/S characteristic promoted by the climate criteria from the Transition Date and therefore aligned with the E/S characteristics promoted by the MFS European Value Fund (i.e. # 1) from the Transition Date. As of 30 November 2021, equity securities represented 98.61% of the total assets of the portfolio of the MFS European Value Fund.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable. The MFS European Value Fund does not use derivatives to attain the MFS Low Carbon Transition Characteristic.



● **To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Zero. The MFS European Value Fund does not aim or commit to invest in sustainable investments with an environmental objective aligned with the EU Taxonomy.

● **Does the financial product invest in fossil gas and / or nuclear energy related activities that comply with the EU Taxonomy?**

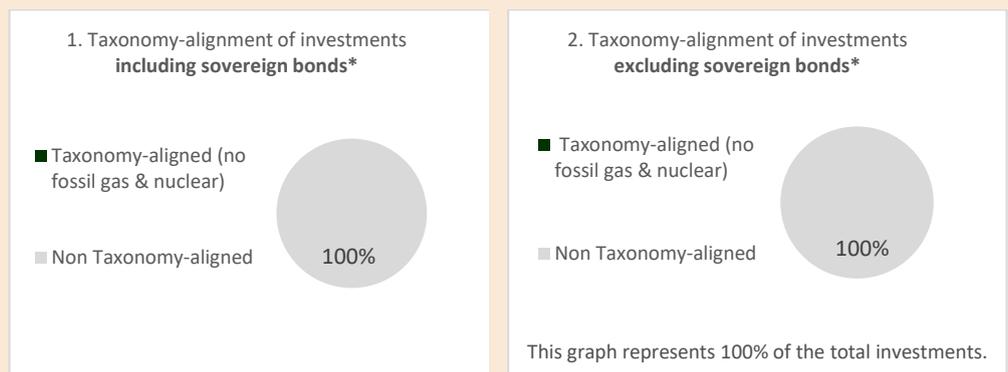
Yes:

In fossil fuel

In nuclear energy

No. The MFS European Value Fund does not aim or commit to make investments aligned with the EU Taxonomy.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules. **Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective. **Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

● **What is the minimum share of investments in transitional and enabling activities?**

Zero. The MFS European Value Fund does not aim or commit to invest in transitional or enabling activities under the EU Taxonomy.



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



### **What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

Zero. The MFS European Value Fund does not aim or commit to invest in sustainable investments with an environmental objective.



### **What is the minimum of sustainable investments with a social objective?**

Zero. The MFS European Value Fund does not aim or commit to invest in sustainable investments with a social objective.



### **What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

Our aim is to apply the MFS Low Carbon Transition Characteristic to more than 50% of the equity securities in the portfolio of the MFS European Value Fund from the Transition Date. For those equity securities that do not adhere to the climate criteria of the MFS Low Carbon Transition Characteristic, MFS investment professionals will continue to actively engage with these issuers on the climate criteria. The remaining portfolio may also hold instruments not subject to the MFS Low Carbon Transition Characteristic such as cash and cash equivalent instruments and currency derivatives.



**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

### **Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

No index is designated as a reference benchmark to determine whether the MFS European Value Fund is aligned with the MFS Low Carbon Transition Characteristic.



### **Where can I find more product specific information online? More product-specific information can be found on the website: [meridian.mfs.com](http://meridian.mfs.com)**